SPONSORED PROGRAMS – POST AWARD

CALIFORNIA POLYTECHNIC STATE UNIVERSITY,
SAN LUIS OBISPO

Audit Report 13-55
February 4, 2014

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ABBREVIATIONS

CFR  Code of Federal Regulations
Corporation  Cal Poly Corporation
CSU  California State University
EO  Executive Order
GC  Government Code
HR  Human Resources
ICSUAM  Integrated California State University Administrative Manual
NIH  National Institutes of Health
NSF  National Science Foundation
OMB  Office of Management and Budget
OAAS  Office of Audit and Advisory Services
PA  Sponsored Programs – Post Award
PHS  Public Health Services
PI  Principal Investigator
EXECUTIVE SUMMARY

As a result of a systemwide risk assessment conducted by the Office of Audit and Advisory Services (OAAS) during the last quarter of 2012, the Board of Trustees, at its January 2013 meeting, directed that Sponsored Programs – Post Award (PA) be reviewed. The OAAS last reviewed Post Award in 2010 and, for the majority of campuses, in the triennial audits of Auxiliary Organizations.

We visited the California Polytechnic State University, San Luis Obispo campus from October 14, 2013, through November 15, 2013, and audited the procedures in effect at that time.

In our opinion, the fiscal, operational, and administrative controls for PA activities in effect as of November 15, 2013, taken as a whole, were sufficient to meet the objectives stated in the “Purpose” section of this report.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls changes over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of controls include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations would not be cost-effective; moreover, an audit may not always detect these limitations.

The following summary provides management with an overview of conditions requiring attention. Areas of review not mentioned in this section were found to be satisfactory. Numbers in brackets [ ] refer to page numbers in the report.

GENERAL ENVIRONMENT [7]

Campus policies and procedures and disclosure forms for conflicts of interest needed to be updated. In addition, the Cal Poly Corporation (Corporation) did not always provide ethics training to principal investigators in compliance with CSU policy. Further, Corporation administration of conflict-of-interest statements needed improvement. For example, conflict-of-interest forms for non-governmental grants and contracts were not always completed within 90 days of the project’s end date.

EFFORT REPORTING [10]

The Corporation’s effort-reporting policies and procedures needed improvement. For example, the policies and procedures did not define the roles and responsibilities of the various offices and individuals at the campus who were involved in effort reporting. Further, the Corporation prepared effort reports for non-academic-year faculty and staff annually, instead of at least semi-annually, as required by federal and CSU requirements.

COST SHARING [13]

The Corporation’s cost-sharing policies and procedures were incomplete. For instance, the procedures did not include methods of valuing cost-share matching requirements for in-kind contributions.
SUB-RECIPIENT MONITORING [14]

The Corporation’s sub-recipient risk assessment process needed improvement. For example, evidence was not always on file to indicate that an A-133 audit report was obtained during the risk assessment process for sub-recipient awards.
Sponsored programs include all work performed under grants or contracts funded by non-California State University (CSU) sources, such as federal agencies, state agencies, and non-profit organizations. There are generally two main components of sponsored program administration: pre-award, which includes activities such as proposal development, review, and submission prior to acceptance of funds; and post award, which includes administration of a sponsored program after the grant or contract has been awarded through the final closeout process.

Sponsored programs – post award (PA) may be administered either on the campus, usually under an office of research or similar department, or by an auxiliary organization, such as a research foundation. Five CSU campuses – Channel Islands, Maritime Academy, San Francisco, Sonoma, and Stanislaus – and the chancellor’s office administer the post-award aspects of sponsored programs on the state side. The other 18 CSU campuses manage PA through auxiliary organizations.

PA is subject to various types of audits, including internal audits by the Office of Audit and Advisory Services (OAAS) and external audits required by granting agency regulations. For those campuses where an auxiliary organization manages PA, the OAAS conducts triennial auxiliary organization audits, which include audits of the PA function. In addition, the OAAS performs periodic campus audits of sponsored programs, the most recent of which was an audit of PA in 2010. The primary external audit performed is the annual A-133 audit, which is required for non-federal entities that expend $500,000 or more in federal awards in a year, and which is performed by external financial statement auditors. In addition, periodic audits may be performed by sponsors, including various federal inspector general offices.

The Office of Management and Budget (OMB) has issued the following government-wide policies to ensure proper stewardship of federal research funds:

- **OMB Circular A-21, Cost Principles for Educational Institutions**, establishes principles for determining costs applicable to grants, contracts, and other agreements with educational institutions. These principles are designed to ensure that the federal government bears its fair share of total costs, determined in accordance with generally accepted accounting principles, except where restricted or prohibited by law. The circular was last revised in May 2004.

- **OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations**, sets forth the standards for obtaining consistency and uniformity among federal agencies in the administration of grants and agreements with institutions of higher education, hospitals, and other non-profit organizations. The circular was last revised in November 1993 and amended in September 1999.

- **OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations**, sets forth consistency and uniformity among federal agencies for the audit of states, local governments, and non-profit organizations expending federal awards. The circular was last revised in June 2007. The OMB Circular A-133 Compliance Supplement, which was last revised in June 2012, serves as a companion document.
Other federal guidance for sponsored programs has been disseminated by specific sponsoring agencies. Among the largest sponsors are the National Institutes of Health (NIH) and the National Science Foundation (NSF). The NIH Grants Policy Statement, last revised in October 2012, and the NSF Award and Administration Guide, last revised in January 2013, delineate policy requirements for the administration of projects funded by these agencies.

Compliance requirements for sponsored programs change as new regulations or policies are implemented. For example, new NIH requirements relating to financial conflict-of-interest identification and reporting became effective on August 24, 2012. In addition, the OMB recently proposed the creation of a unified Omni Circular, which would consolidate the three circulars mentioned above and others into one document that would supersede the separate circulars. The intent is to streamline federal requirements for all types of recipients of federal grants and contracts to increase the efficiency and effectiveness of the federal award process. The proposed text of the Omni Circular was published in the Federal Register on February 1, 2013.

Executive Order (EO) 890, Administration of Grants and Contracts in Support of Sponsored Programs, dated January 7, 2004, sets policy to be followed by each campus and any auxiliary organization administering sponsored programs to ensure that the university or auxiliary maximizes the benefits of sponsored programs and supports faculty, students, and administrators in effectively securing and carrying out sponsored programs. EO 890 requires that each campus establish a written policy on the management of sponsored programs that incorporates components such as proposal submission, review, and approval; performance of grants and contracts; human resources policies; academic policies; fiscal administration; and work product and records.

Integrated California State University Administrative Manual (ICSUAM) §11000 sets forth systemwide policies related to specific aspects of sponsored programs. These policies were created in response to the 2010 PA audit conducted by the OAAS. Policies relevant to the current audit include:

- ICSUAM §11000.002.005, Subrecipient Monitoring, effective December 1, 2011
- ICSUAM §11000.003.005, Allowable Costs, effective December 1, 2011
- ICSUAM §11000.003.006, Effort Reporting, effective December 1, 2011
- ICSUAM §11000.003.007, Cost Sharing, effective December 1, 2011
- ICSUAM §11000.010.002, Financial Conflict of Interest, dated October 31, 2011

The CSU Conflict of Interest Code also requires principal investigators for projects sponsored by nongovernmental entities to disclose financial interests. Coded memorandum Human Resources 2005-38, Conflict of Interest Update – Principal Investigators, dated August 30, 2005, outlines reporting requirements, as well as management of potential conflicts of interest.
Our overall audit objective was to ascertain the effectiveness of existing policies and procedures related to sponsored programs – post-award administration and to determine the adequacy of controls that ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor directives, and campus and auxiliary organization procedures.

Within the overall audit objective, specific goals included determining whether:

- Administration of post award is well defined and includes clear lines of organizational authority and responsibility.

- Policies and procedures exist for key areas of post-award administration, such as effort reporting, cost sharing, sub-recipient monitoring, and fiscal administration, and are current, comprehensive, and effectively distributed.

- Individuals involved in post-award administration are provided with sufficient initial and ongoing training.

- Financial interests in sponsored programs are disclosed in a timely manner and reviewed for conflicts of interest.

- An integrated system that encompasses both sponsored and all other activities, and that ensures accurate and properly documented evidence of work performed on sponsored programs, is in place for effort reporting.

- Administration and management of cost sharing on sponsored programs is adequate and performed in accordance with CSU, federal, and sponsor requirements.

- Sub-recipient relationships are appropriately established and monitored in accordance with CSU, federal, and sponsor requirements.

- Financial systems and controls are adequate to ensure that costs charged to sponsored programs are allowable, allocable, and reasonable.

- Financial systems are adequate to ensure that cost transfers are made with adequate justification, with proper approvals, and within a reasonable period of time.

- Indirect costs charged to sponsored programs are appropriate, and approved indirect cost rates are utilized.
INTRODUCTION

SCOPE AND METHODOLOGY

The proposed scope of the audit as presented in Attachment A, Audit Agenda Item 2 of the January 22 and 23, 2013, meeting of the Committee on Audit stated that Sponsored Programs – Post Award (PA) includes a review of the post-award administration and management of sponsored programs funded by non-CSU funding sources. Proposed audit scope could include, but was not limited to, review of contract and grant budgeting and financial planning; indirect cost administration, including cost allocation; cost sharing/matching and transfer processes; effort reporting, fiscal reporting, and progress reporting; approval of project expenditures; sub-recipient monitoring; and management and security of information systems.

Our study and evaluation were conducted in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and included the audit tests we considered necessary in determining whether fiscal, operational, and administrative controls are in place and operative. This review emphasized, but was not limited to, compliance with federal and state regulations and guidance, Board of Trustee policies, and Office of the Chancellor and campus policies, letters, and directives. The audit focused on procedures in effect from July 1, 2011, through November 15, 2013.

We focused primarily on the internal administrative, compliance, and operational controls over PA activities. Specifically, we reviewed and tested:

- Administration of PA activities, including defined responsibilities, current policies and procedures, and training.
- Conflict-of-interest policies and required conflict-of-interest filings.
- Effort reporting systems.
- Cost-sharing administration and management.
- Sub-recipient monitoring processes.
- Fiscal administration, including cost transfers, indirect costs, and allowable costs.
OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

GENERAL ENVIRONMENT

POLICIES AND PROCEDURES

Campus policies and procedures and disclosure forms for conflicts of interest needed to be updated.

We found that:

- Campus supplemental conflict-of-interest procedures for Public Health Services (PHS) awards did not contain a provision for the public disclosure of any significant financial interest within five business days of a request.

- Campus supplemental conflict-of-interest procedures for PHS awards were not incorporated into or referenced by the campus conflict-of-interest policy or by the page on the campus website addressing conflicts of interest in research, increasing the possibility that campus constituents would not be aware of applicable conflict-of-interest requirements for PHS awards.

- The campus disclosure of financial interest form 800-UB on the campus website had not been updated to reflect current PHS financial disclosure thresholds.

Code of Federal Regulations (CFR), Title 42, Part 50, Subpart F, Responsibility of Applicants for Promoting Objectivity in Research for Which PHS Funding Is Sought, effective September 26, 2011, states that prior to the institution’s expenditure of any funds under a PHS-funded research project, the institution shall ensure public accessibility, via a publicly accessible website or written response to any requestor within five business days of a request, of information concerning any significant financial interest disclosed to the institution.

Government Codes (GC) §13402 and §13403 state that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions. They further state that administrative controls are the methods through which reasonable assurance can be given that measures adopted by state agency heads to safeguard assets and promote operational efficiency are being followed.

The director of grants development stated her belief that the PHS update did not explicitly include the public accessibility provision because the update made reference to federal regulations, and thus the required accessibility provisions could be inferred. She further stated that the PHS update was not incorporated into the campus conflict-of-interest policy and the financial disclosures forms online had not been updated to reflect the lower financial thresholds due to delays resulting from staff turnover.

Incomplete or outdated policies and procedures increase the risk of noncompliance with California State University (CSU) and governmental requirements.
Recommendation 1

We recommend that the campus:

a. Update the campus supplemental conflict-of-interest procedures for PHS awards to include a provision for the public disclosure of any significant financial interest within five business days of a request.

b. Incorporate into or reference the campus supplemental conflict-of-interest procedures for PHS awards in the campus conflict-of-interest policy or on the page on the campus website that addresses conflicts of interest in research.

c. Update the campus disclosure of financial interest form 800-UB on the campus website to reflect current PHS financial disclosure thresholds.

Campus Response

We concur. The campus will update the PHS conflict-of-interest procedures to include a provision for the public disclosure of any significant financial interest and will reference the campus supplemental conflict-of-interest procedures for PHS awards on the campus website that addresses conflicts of interest in research. The 800-UB form will incorporate current PHS financial disclosure thresholds.

Anticipated implementation date: June 30, 2014

TRAINING

The Cal Poly Corporation (Corporation) did not always provide ethics training to principal investigators (PIs) in compliance with CSU policy.

We reviewed 21 grants and contracts and found that one PI and one co-PI on non-governmental awards did not complete ethics training.

Coded memorandum Human Resources (HR) 2005-38, Conflict of Interest Update – Principal Investigators, dated August 30, 2005, states that principal investigators must complete the ethics training within six months of receiving the grant. Subsequent training is required at least once during each consecutive period of two calendar years that the grant is in place.

The Corporation sponsored programs manager stated that one PI and one co-PI did not complete ethics training due to oversight.

Inadequate training of PIs and co-PIs increases the risk of non-compliance with CSU, federal, and state regulations, as well as increases the risk that errors, inconsistencies, misunderstandings, or misappropriation may occur.
Recommendation 2

We recommend that the campus, in conjunction with the Corporation, provide ethics training to all PIs and co-PIs on non-governmental awards.

Campus Response

We concur. The campus, in conjunction with the Corporation, will establish a process to provide ethics training to all PIs and co-PIs on non-governmental awards.

Anticipated implementation date: June 30, 2014

CONFLICT OF INTEREST

Corporation administration of conflict-of-interest statements needed improvement.

We reviewed ten grants and contracts and found that:

- Conflict-of-interest forms for three of the five non-governmental grants and contracts we reviewed had not been completed within 90 days of the project’s end date.
- One PI on a PHS federal award did not complete an annual updated conflict-of-interest form as required.

Coded memorandum HR 2005-38, Conflict of Interest Update – Principal Investigators, dated August 30, 2005, states that the CSU principal investigators are required to file an initial statement prior to acceptance of a contract, grant, or gift, an interim statement within 30 days after funding is renewed, and a project completion statement within 90 days after gift funds are exhausted, or the research project is completed, pursuant to CSU policy.

42 CFR Part 50, Subpart F, Responsibility of Applicants for Promoting Objectivity in Research for Which PHS Funding Is Sought, effective September 26, 2011, states that each investigator must submit an updated disclosure of significant financial interests at least annually, in accordance with the specific time period prescribed by the institution, during the period of the award.

California Polytechnic State University, San Luis Obispo Provisional Procedures for Complying with PHS Regulations for Promoting Objectivity in Research states that each investigator who is participating in PHS-funded research must submit an updated disclosure of significant financial interests at least annually, on a date specified by the institution and determined by the time frame of the specific PHS application and award.

Integrated California State University Administrative Manual (ICSUAM) §11000.010.002, Financial Conflict of Interest, dated October 31, 2011, states that principal investigators are required to file a project completion statement within 90 days after the expiration of the grant or contract, or after the funds have been completely expended in the case of a gift.
The Corporation sponsored programs manager stated her belief that the Corporation’s process to obtain conflict-of-interest forms after the submission of the final project report to the sponsor, rather than at the expiration of the award as required by CSU policy, was a better project-management approach. She also stated that one PI on a PHS award did not complete an annual updated conflict-of-interest form due to delays in policy and disclosure form revisions resulting from staff turnover.

Inadequate administration of conflict-of-interest forms increases the risk of non-compliance with federal, state, and CSU requirements and could lead to possible regulatory scrutiny.

**Recommendation 3**

We recommend that the campus, in conjunction with the Corporation:

a. Complete conflict-of-interest forms for non-governmental grants and contracts within 90 days of a project’s end date.

b. Obtain annual updated conflict-of-interest forms from PIs on PHS federal awards.

**Campus Response**

We concur. The campus, in conjunction with the Corporation, shall update policy and procedures to establish a process to complete conflict-of-interest forms on non-governmental grants within 90 days of the project’s end date and to obtain updated annual conflict-of-interest forms from PIs on PHS federal awards.

Anticipated implementation date: June 30, 2014

**EFFORT REPORTING**

**POLICIES AND PROCEDURES**

The Corporation’s effort-reporting policies and procedures needed improvement.

We found that the Corporation’s internal effort-reporting procedures were not made available to PIs and other key personnel who were required to complete effort reports. In addition, the procedures did not:

- Define the roles and responsibilities of the various offices and individuals at the campus who were involved in effort reporting.
- Reflect the Corporation’s current practices as to the timing and preparation of effort reports for non-academic-year faculty and other professional employees.
- Address requirements for certifying effort reports in a timely manner.
ICSUAM §11000.003.006, *Effort Reporting*, effective December 1, 2011, states that it is the policy of the CSU that each campus shall develop and maintain policies and procedures for reporting all compensated effort of sponsored project-related employees to ensure compliance with applicable regulations and agreements. At a minimum, the campus president or designee must ensure that the campus has an effort-reporting policy that defines roles and responsibilities of various offices and individuals at the campus. It further states that effort certifications are completed each academic term, but not less frequently than twice annually.

GC §13402 and §13403 state that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions. It further states that administrative controls are the methods through which reasonable assurance can be given that measures adopted by state agency heads to safeguard assets and promote operational efficiency are being followed.

The Corporation sponsored programs manager stated her belief that the current internal effort-reporting procedures were considered a policy, and that although the procedures were not readily available to PIs and other key personnel involved in effort reporting, there was active involvement and communication between these individuals and the sponsored programs office in order to properly complete these reports. She further stated that the procedures did not include all of the elements required by systemwide policy and did not reflect the Corporation’s current practices for non-academic-year faculty and other professional employees due to oversight.

Incomplete effort-reporting policies and procedures increase the risk of noncompliance with CSU and governmental reporting requirements.

**Recommendation 4**

We recommend that the campus, in conjunction with the Corporation, update effort-reporting policies and procedures to:

a. Make effort-reporting policies and procedures readily available to PIs and other key personnel who are required to complete effort reports.

b. Define the roles and responsibilities of the various offices and individuals at the campus who are involved in effort reporting.

c. Reflect the Corporation’s current practices as to the timing and preparation of effort reports for non-academic-year faculty and other professional employees.

d. Address requirements for certifying effort reports in a timely manner.

**Campus Response**

We concur. The campus, in conjunction with the Corporation, shall make effort-reporting policy and procedures available to PIs online. Effort-reporting policies and procedures shall be updated to
incorporate the roles and responsibilities of the relevant individuals and offices involved in effort reporting, reflect the Corporation’s current practices relating to timing and preparation of effort reporting for employees, and identify the requirements for certifying effort reports in a timely manner.

Anticipated implementation date: June 30, 2014

DOCUMENTATION

The Corporation prepared effort reports for non-academic-year faculty and staff annually, instead of at least semi-annually, as required by federal and CSU requirements.

Office of Management and Budget (OMB) Circular A-21, Cost Principles for Educational Institutions, §J.10, states that the method used to report effort on sponsored contracts and grants must recognize the principle of after-the-fact confirmation or determination so that costs distributed represent actual costs, unless a mutually satisfactory alternative agreement is reached. It further states that for professorial and professional staff, the reports will be prepared each academic term, but no less frequently than every six months. For other employees, unless alternate arrangements are agreed to, the reports will be prepared no less frequently than monthly and will coincide with one or more pay periods.

ICSUAM §11000.003.006, Effort Reporting, effective December 1, 2011, states that it is the policy of the CSU that each campus shall develop and maintain policies and procedures for reporting all compensated effort of sponsored project-related employees to ensure compliance with applicable regulations and agreements. At a minimum, the campus president or designee must ensure that the campus has an effort-reporting policy that defines roles and responsibilities of various offices and individuals at the campus. It further states that effort certifications are completed each academic term, but not less frequently than twice annually.

The Corporation sponsored programs manager stated that effort reports for non-academic-year faculty and staff were prepared annually instead of at least semi-annually because the Corporation had not updated its effort-reporting policies and procedures to reflect current federal and CSU requirements.

Infrequent effort reporting decreases assurance on the reliability of effort-reporting systems and increases exposure to non-compliance with federal regulations.

Recommendation 5

We recommend that the campus, in conjunction with the Corporation, prepare effort reports for non-academic-year faculty and staff at least semi-annually.

Campus Response

We concur. The campus, in conjunction with the Corporation, shall establish a process that is consistent with updated effort-reporting policy and procedures to prepare effort reports for non-academic faculty and staff at least semi-annually.
COST SHARING

The Corporation’s cost-sharing policies and procedures were incomplete.

We found that the Corporation cost-sharing procedures did not:

- Define the roles and responsibilities of the various offices and individuals involved in the cost-share process at the campus.
- Include methods of valuing cost-share matching requirements for in-kind contributions.

ICSUAM §11000.003.007, Cost Sharing, effective December 1, 2011, states that the campus president or designee must ensure that the campus has written policies and procedures for cost sharing that are consistently applied in proposing, accumulating, and reporting costs both to external sponsors and within the campus. The campus policy must define roles and responsibilities of various offices and individuals at the campus.

OMB Circular A-133, Compliance Supplement Part 6-M, Sub-recipient Monitoring, last revised March 2013, states that an official written policy should exist outlining responsibilities for determining required amounts or limits for matching, methods of valuing matching requirements (e.g., in-kind contributions, calculations for level of effort), allowable costs that may be claimed for matching, and methods of accounting for and documenting amounts used to calculate amounts claimed for matching.

The Corporation sponsored programs manager stated that the cost-sharing procedures did not define the roles and responsibilities of the various offices and individuals involved in cost share due to oversight. She also stated that the cost-share procedures made reference to federal regulations that discussed valuation methods for in-kind contributions, and thus the valuation guidance was implied rather than explicitly outlined.

Incomplete cost-sharing policies and procedures increase the risk of noncompliance with CSU and governmental reporting requirements.

**Recommendation 6**

We recommend that the campus, in conjunction with the Corporation, update cost-sharing policies and procedures to:

a. Define the roles and responsibilities of the various offices and individuals involved in the cost-share process at the campus.

b. Include methods of valuing cost-share matching requirements for in-kind contributions.
Campus Response

We concur. The campus, in conjunction with the Corporation, shall update cost-sharing policies and procedures to define the roles and responsibilities of the relevant individuals and offices involved in the cost-share process and more clearly define methods of valuing cost-share matching for in-kind contributions.

Anticipated implementation date: June 30, 2014

SUB-RECIPIENT MONITORING

The Corporation’s sub-recipient risk assessment process needed improvement.

We reviewed six sub-recipient awards and found that:

› None of the risk assessments were dated to document that they had been performed prior to sub-award issuance.

› There was no evidence on file to indicate that an A-133 audit report was obtained during the risk assessment process for two awards.

› A financial status questionnaire was not completed prior to sub-award issuance for one sub-recipient that was not subject to the A-133 audit reporting requirement.

› The sub-recipient risk assessment form used by the Corporation to evaluate sub-recipients did not include the results of the A-133 audit report or financial status questionnaire review, as applicable.

ICSUAM §110000.002.005, Sub-recipient Monitoring, dated December 1, 2011, states that it is the policy of the CSU that each campus shall have financial controls and procedures in place that ensure compliance with the sponsor’s requirements for sub-recipient monitoring. The campus president or designee must ensure that procedures established for sub-recipient risk assessment and monitoring are in compliance with the federal OMB Circular A-133, applicable standards of other sponsors, CSU regulations, and campus policies. Campus procedures should provide consideration for documentation of compliance with minimum requirements of OMB Circular A-133 as it relates to sub-recipient monitoring, giving consideration to high-risk sub-recipients as necessary.

OMB Circular A-133, Compliance Supplement Part 6-M, Sub-recipient Monitoring, last revised March 2013, states that in order to provide reasonable assurance of compliance with federal requirements related to sub-recipients, the pass-through entity should perform procedures to provide reasonable assurance that the sub-recipient obtained required audits and takes appropriate corrective action on audit findings.

The Corporation Sub-award Policy states that prior to award issuance, sponsored programs will request a complete copy of the sub-recipient’s recent independent audit used to meet their A-133
audit report, or a link to their record on the Federal Audit Clearinghouse. Sponsored programs will review the report to verify that there are no findings that may impact the sub-award.

The Corporation sponsored programs manager stated that although the risk assessment forms were not dated, subcontract agreements were not executed until the risk assessment was performed and documented. She also stated that two A-133 audit reports were not obtained during the risk assessment process and one financial questionnaire was obtained after sub-award approval due to oversight. She further stated although the Corporation’s policy did not require that A-133 audit report and financial status questionnaire review results be documented on the risk assessment form, these review results were handled as part of a separate process.

Inadequate risk assessments of sub-recipients increase the risk of non-compliance with OMB requirements and possible regulatory scrutiny, and subject the Corporation and CSU to potential liability.

**Recommendation 7**

We recommend that the campus, in conjunction with the Corporation:

a. Date each sub-recipient’s risk assessment at completion to document that it was performed prior to sub-award issuance.

b. Maintain evidence to indicate that A-133 audit reports have been obtained during the risk assessment process for sub-recipient awards.

c. Require sub-recipients that are required to complete a financial status questionnaire to do so prior to sub-award issuance.

d. Document the A-133 audit report and financial status questionnaire review results on risk assessment forms for sub-recipient awards.

**Campus Response**

We concur. The campus, in conjunction with the Corporation, shall update current policy and procedures to document that each sub-recipient risk assessment is complete prior to award issuance. The policy and procedures shall incorporate a process to document that A-133 audit reports have been obtained during the risk assessment process. The policy and procedures will establish a process that ensures that financial questionnaires, when required, are complete prior to sub-award issuance. The policy and procedures will establish a process to document the review of the A-133 audit report and the financial questionnaire for each sub-recipient award.

Anticipated implementation date: June 30, 2014
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<tr>
<th>Name</th>
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<tbody>
<tr>
<td>Jeffrey D. Armstrong</td>
<td>President</td>
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<td>Bradford Anderson</td>
<td>Interim Vice Provost for Research and Industry Relations</td>
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<td>Wendy Forester</td>
<td>Controller, Cal Poly Corporation</td>
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<td>Stan Nosek</td>
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<td>Sumi Seacat</td>
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<td>Amy Velasco</td>
<td>Director, Grants Development</td>
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March 5, 2014

Mr. Larry Mandel
University Auditor
Office of the University Auditor
The California State University
401 Golden Shore Road
Long Beach, CA 90805-4275

Subject: Campus Responses to Recommendations of Incomplete Draft Audit Report Number 13-55, Sponsored Programs – Post Award, California Polytechnic State University, San Luis Obispo

Dear Larry:

Enclosed are responses to the recommendations in the incomplete draft of the Sponsored Programs – Post Award audit report (Audit Report 13-55). The responses are submitted to you for review and acceptance by the Chancellor. The responses include a corrective action plan and time frame for completion.

Please direct questions to Lorlie Leetham, Assistant Vice President, Fiscal Services and Auxiliary Reporting, at (805)756-5421 (lleetham@calpoly.edu).

Sincerely,

Stan Nosek
Interim Vice President for Administration and Finance

cc: J. Armstrong, L. Leetham
SPONSORED PROGRAMS – POST AWARD

CALIFORNIA POLYTECHNIC STATE UNIVERSITY,
SAN LUIS OBISPO

Audit Report 13-55

GENERAL ENVIRONMENT

POLICIES AND PROCEDURES

Recommendation 1

We recommend that the campus:

a. Update the campus supplemental conflict-of-interest procedures for PHS awards to include a provision for the public disclosure of any significant financial interest within five business days of a request.

b. Incorporate into or reference the campus supplemental conflict-of-interest procedures for PHS awards in the campus conflict-of-interest policy or on the page on the campus website that addresses conflicts of interest in research.

c. Update the campus disclosure of financial interest form 800-UB on the campus website to reflect current PHS financial disclosure thresholds.

Campus Response

We concur. The campus will update the PHS conflict-of-interest procedures to include a provision for the public disclosure of any significant financial interest and will reference the campus supplemental conflict-of-interest procedures for PHS awards on the campus website that addresses conflicts of interest in research. The 800-UB form will incorporate current PHS financial disclosure thresholds.

Anticipated implementation date: June 30, 2014

TRAINING

Recommendation 2

We recommend that the campus, in conjunction with the Corporation, provide ethics training to all PIs and co-PIs on non-governmental awards.
Campus Response

We concur. The campus, in conjunction with the Corporation, will establish a process to provide ethics training to all principal investigators and co-principal investigators on non-governmental awards.

Anticipated implementation date: June 30, 2014

CONFLICT OF INTEREST

Recommendation 3

We recommend that the campus, in conjunction with the Corporation:

a. Complete conflict-of-interest forms for non-governmental grants and contracts within 90 days of a project’s end date.

b. Obtain annual updated conflict-of-interest forms from PIs on PHS federal awards.

Campus Response

We concur. The campus, in conjunction with the Corporation, shall update policy and procedures to establish a process to complete conflict-of-interest forms on non-governmental grants within 90 days of the project’s end date and to obtain updated annual conflict-of-interest forms from PIs on PHS federal awards.

Anticipated implementation date: June 30, 2014

EFFORT REPORTING

POLICIES AND PROCEDURES

Recommendation 4

We recommend that the campus, in conjunction with the Corporation, update effort-reporting policies and procedures to:

a. Make effort-reporting policies and procedures readily available to PIs and other key personnel who are required to complete effort reports.

b. Define the roles and responsibilities of the various offices and individuals at the campus who are involved in effort reporting.

c. Reflect the Corporation’s current practices as to the timing and preparation of effort reports for non-academic-year faculty and other professional employees.

d. Address requirements for certifying effort reports in a timely manner.
Campus Response

We concur. The campus, in conjunction with the Corporation, shall make effort-reporting policy and procedures available to PIs online. Effort-reporting policies and procedures shall be updated to incorporate the roles and responsibilities of the relevant individuals and offices involved in effort reporting, and updates to reflect the Corporation’s current practices relating to timing and preparation of effort reporting for employees, and identify the requirements for certifying effort reports in a timely manner.

Anticipated implementation date: June 30, 2014

DOCUMENTATION

Recommendation 5

We recommend that the campus, in conjunction with the Corporation, prepare effort reports for non-academic-year faculty and staff at least semi-annually.

Campus Response

We concur. The campus, in conjunction with the Corporation, shall establish a process that is consistent with updated effort-reporting policy and procedures to prepare effort reports for non-academic faculty and staff at least semi-annually.

Anticipated implementation date: June 30, 2014

COST SHARING

Recommendation 6

We recommend that the campus, in conjunction with the Corporation, update cost-sharing policies and procedures to:

a. Define the roles and responsibilities of the various offices and individuals involved in the cost-share process at the campus.

b. Include methods of valuing cost-share matching requirements for in-kind contributions.

Campus Response

We concur. The campus, in conjunction with the Corporation, shall update cost-sharing policies and procedure to define the roles and responsibilities of the relevant individuals and offices involved in the cost-share process and more clearly define methods of valuing cost-share matching for in-kind contributions.

Anticipated implementation date: June 30, 2014
SUB-RECIPIENT MONITORING

Recommendation 7

We recommend that the campus, in conjunction with the Corporation:

a. Date each sub-recipient’s risk assessment at completion to document that it was performed prior to sub-award issuance.

b. Maintain evidence to indicate that A-133 audit reports have been obtained during the risk assessment process for sub-recipient awards.

c. Require sub-recipients that are required to complete a financial status questionnaire to do so prior to sub-award issuance.

d. Document the A-133 audit report and financial status questionnaire review results on risk assessment forms for sub-recipient awards.

Campus Response

We concur. The campus, in conjunction with the Corporation, shall update current policy and procedures to document that each sub-recipient risk assessment is complete prior to award issuance. The policy and procedures shall incorporate a process to document that A-133 audit reports have been obtained during the risk assessment process. The policy and procedures will establish a process that ensures that financial questionnaires, when required, are complete prior to sub-award issuance. The policy and procedures will establish a process to document the review of the A-133 audit report and the financial questionnaire for each sub-recipient award.

Anticipated implementation date: June 30, 2014
March 24, 2014

MEMORANDUM

TO: Mr. Larry Mandel  
Vice Chancellor and Chief Audit Officer

FROM: Timothy P. White  
Chancellor

SUBJECT: Draft Final Report 13-55 on Sponsored Programs – Post Award, California Polytechnic State University, San Luis Obispo

In response to your memorandum of March 24, 2014, I accept the response as submitted with the draft final report on Sponsored Programs – Post Award, California Polytechnic State University, San Luis Obispo.

TPW/amd